IRC Update Chart

	IRC as of May 1, 2010	North Carolina's current tax law *references the IRC as of May 1, 2010*	Small Business Jobs act of 2010 *Enacted September 27, 2010*	Tax Relief and Job Creation Act of 2010 *Enacted December 17, 2010*	PROPOSAL
Bonus Depreciation *allows a business to claim more of a deduction up front and spread the remainder out over the normal depreciation schedule. Over the life of the asset, the taxpayer receives the same benefit. The normal depreciation schedule is usually 5 years or 15 years, depending upon the asset.*	50% bonus depreciation for qualified property acquired and placed in service in 2009.	**DECOUPLED** but provided that the property's basis is the same for federal and State purposes. Taxpayer must add-back 85% of the accelerated depreciation amount in the year that it is claimed for federal tax purposes. The taxpayer may deduct 20% of this amount, plus the normal depreciation amount, over the next five years. *The extension of the bonus depreciation for tax years 2010, 2011, and 2012 are not included in the current NC tax law.*	50% bonus depreciation extended to property acquired and placed in service after December 31, 2009, in taxable years ending after such date, and before January 1, 2012 (2010 and 2011 taxable years).	Boosts 50% bonus depreciation to 100% bonus depreciation for property acquired and placed in service after September 8, 2010, in taxable years ending after such date, and before January 1, 2012 (2010 and 2011 taxable years). Provides 50% bonus depreciation for qualified property placed in service after December 31, 2012, and before January 1, 2013 (2012 taxable year).	**DECOUPLE,** but provide that the property's basis is the same for federal and State purposes. Taxpayer must add-back 85% of the accelerated depreciation amount in the year that it is claimed for federal tax purposes. The taxpayer may deduct 20% of this amount, plus the normal depreciation, over the next five years.
Section 179 expensing *allows the expensing of the purchase price of some business assets in the year of purchase rather than taking depreciation over the life of the asset. Section 179 has a deduction limit that begins to phase out on a dollar for dollar scale once an investment limit is reached. The deduction limit is $25,000 and the investment limit is $200,000; neither is indexed for inflation.*	The deduction limit is $250,000 for 2010 and the investment limit is $800,000. The expensing limits are scheduled to revert to prior levels in 2011.	**Conforms.** Deduction limit is $250,000 with an investment limit of $800,000; reverts to $25,000/$200,000 in 2011.	The limits expanded to $500,000 and $2,000,000 for 2010 and 2011; reverts back to prior levels in 2012 with no indexing ($25,000/$200,000). Expands definition of qualified property to include certain real property up to $250,000 for 2010 and 2011.	The limits expanded in 2012 to $125,000 and $500,000, indexed for inflation. Reverts to prior levels in 2013 ($25,000/$200,000).	**MAINTAINS** 2010 deduction limits of $250,000 and $800,000 for taxable years 2010 and 2011. **DECOUPLES** from enhanced limits of $500,000 and $2,000,000 for taxable years 2010 and 2011 but provides that the property's basis is the same for federal and State purposes. Taxpayer must add-back 85% of the additional expensing taken under federal law in the year that it is claimed and may deduct 20% of this amount over the next five years. **CONFORMS** to federal law for taxable years 2012 and 2013.

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50% of the gain realized on qualified small business stock *may be excluded from income. To qualify, the stock must be purchased at its original issue and the aggregate gross assets of the issuing corporation may not exceed $50 million and at least 80% of the value of its assets must be used in the active conduct of one or more trades or business. The exclusion is capped at the greater of 10 times the taxpayer's basis in the stock or $10 million.*	Exclusion increased from 50% to 75% for stock acquired after February 17, 2009, and before January 1, 2011, and held for more than 5 years.	**Conforms** *with 75% exclusion*	Exclusion increased to 100% for stock acquired after September 27, 2010, and before January 1, 2011.		**Conform**. Exclusion increased to 100% for stock acquired after September 27, 2010, and before January 1, 2011.
Up to $5,000 of start-up expenses may be deducted. *The deduction is reduced by the amount of start-up costs that exceed $50,000.*	The deduction limit is $5,000 and the phase-out threshold is $50,000.	**Conforms.** Deduction limit of $5,000 and a phase-out threshold of $50,000	Increases the deduction limit to $10,000 and the phase-out threshold to $60,000.		**Conform.** Deduction limit increases to $10,000 and the phase-out threshold increases to $60,000.
Other provisions of the Small Business Jobs Act of 2010: • **Deduction for health insurance costs** • **457 plans** • **401(k) rollovers to Roth accounts** • **Annuitization of a nonqualified annuity contract** • **Source rules for income on guarantees**	N/A		These items generated a minimum amount of revenues.		**Conform.**

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Various business tax extenders: • **Longer recovery periods** • **Charitable incentive deductions**	Incentives expired for tax year 2010.	**Conforms.** Incentives expired at the end of 2009.		Extends business incentives for two more taxable years: 2010 and 2011.	**Conform.** Extends incentives for two more taxable years: 2010 and 2011.
Various tax credits: • **WOTC** • **EITC** • **Adoption**	Enhancements set to expire for the 2011 tax year.	**Conforms.** Enhancements set to expire for the 2011 tax year.		Enhancements extended for two more tax years: 2011 and 2012.	**Conform.** Extend the enhancements for two more taxable years: 2011 and 2012.
Various individual tax extenders: • **Full repeal of phase-out of itemized deductions** • **Deductibility of mortgage insurance premiums** • **Educational assistance exclusion** • **Student loan interest deduction** • **Coverdale education savings accounts** • **Exclusion of qualified scholarships** • **Deduction for higher education tuition** • **Expense deduction for teacher's classroom supplies** • **Charitable contribution of IRA proceeds**	Incentives and enhancements expired for the 2010 taxable year and others set to expire for the 2011 taxable year.	**Conforms.** Incentives and enhancements expired or will expire in 2011.		Incentives and enhancements extended two more taxable years, through either 2011 or 2012.	**Conform.** Extend the incentives and enhancements for two more taxable years: either 2011 and 2012.

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Estate tax *gradually reduced over a period of years and then abolished for decedents dying in 2010. EGTRRA repealed the state estate tax credit for decedents dying after 2004 and replaced it with a deduction.*	Scheduled to revert to pre-EGTRRA estate tax maximum tax rate of 55% and a $1 million applicable exclusion amount. The state estate tax credit, as it existed in 2001, is revived for decedents dying after 2010.	**Conforms.** NC does not have an estate tax for decedents dying in 2010 and the basis of the property passing through an estate of a decedent dying in 2010 is the modified carryover basis rules under EGTRRA. Beginning in 2011, the state estate tax is equal to the state estate tax credit as it existed in 2001 and the exclusion amount is $1 million		Revives the estate tax at significantly higher applicable exclusion amount and lower tax rate than had been scheduled under EGTRRA: the maximum estate tax rate is 35% with an applicable exclusion amount of $5 million. Gives estates of decedents dying in 2010 the option to (1) pay the estate tax based on the new 35% rate and $5 million exclusion, with stepped-up basis, or (2) no estate tax and modified carryover basis. Extends the state estate tax deduction. These provisions scheduled to sunset on December 31, 2012. Unless modified or extended, the estate tax law will revert to pre-EGTRRA rates and exclusion amounts.	**Conforms** to the higher exclusion amount and gives estates that chose to pay federal estate tax and receive the stepped-up basis to elect to receive the stepped-up basis for NC purposes by paying the State estate tax for 2010.